Chapter 1
Online Consumer Behavior and Marketing

1.1 Introduction

Consumer behavior is primarily focused on consumer learning processes from internal phenomena—such as motivation, ritual phenomena, moods, personality, lifestyles, and attitudes—and from external factors—such as marketer endorsements and group behavior considering family, associative, and aspirational group influences. It also examines different demographic factors including social class, religion, household influences, and cultural attributes.

1.2 Consumer Behavior

A study of consumer behavior can be difficult because with time behavior can change very sharply. Further complications in understanding consumer decision-making processes in buying products and services come because of the multidimensional factors influencing consumer decisions for purchases. Consumer behavior study models attempt to explain consumer knowledge of selection, purchase, usage, and disposition of products, services, experiences, and ideas (Howard & Sheth, 1968; Loudon, 1988). For understanding consumer behavior, the traditional fundamental concerns of the marketers about the customers are:

- Why do consumers develop a preference to buy a product or service?
- Why do consumers not develop a preference to buy a product or service?
- What influences consumers to buy a product or service?
- When do they buy a product or service?
- How do they buy a product or service?
- How often do they buy a product or service?
- How much of that product or service do they buy?
- Where do they buy a product or service?

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Actually, we want to learn the totality of consumer decision-making processes with respect to the acquisition, usage, and disposition of goods, services, time, and ideas. The utility theory affirms that consumers are optimistically motivated, due to intrinsic and extrinsic phenomena, toward the optimization of utility through their decision-making processes (Becker, 1962).

1.2.1 Traditional View

A pragmatic view of the study of consumer behavior presumably includes and integrates both intrinsic and extrinsic behavioral and attitudinal effects from the various perspectives including psychology, sociology, social anthropology, marketing, and economics. From the psychological point of view, we would like to know the cognitive, affective, and behavioral influences that cause consumers to select among the various alternatives that are available for purchase (e.g., brands, products, and distribution channel) (Haugtvedt, Petty, & Cacioppo, 1992; Zaitman & Wallendorf, 1983). We are also interested in potential differences in thinking, feeling, reasoning, accessing, and retrieving cognitive schemas (Mahoney, 1977). Another important factor is how consumers differ in their final decision-making in purchasing, using, and disposing of products and services (Barwise & Farley, 2005; Engel, Kollat, & Blackwell, 1973). We often scrutinize consumer social class, culture, family orientation, and procreation and study the effect these factors have on the decision-making process of purchasing products or services from the social point of view (Engel et al., 1973). We investigate the phenomena of consumer habits, personality, moods, and attitudinal differences from social anthropology to develop an appropriate theory of consumer behavior (Folkes, 1988; Meichenbaum, 1977). While purchasing, consumer behavior may be actively or passively influenced by market cues that can provide strong motivation toward certain products or against other alternatives (Howard & Sheth, 1968; Huitt, 2004; Meichenbaum, 1977). At the same time, consumers often attempt to maximize the utility of their purchase from a cognitive or affective perspective. These behavioral parameters associated with consumer behavior can be hidden from marketing and economics (Rook, 1985).

1.2.2 New Parameter in Consumer Behavior

Consumer behavior, as buyer, user, or both, is extremely complex and is gradually becoming even more difficult to understand and measure due to the extensive availability and application of modern technology by both consumers and marketers (Jarad, 2014). The attribution theory (Folkes, 1988; Heider, 1958) streamlines consumer attitudinal beliefs, expressions, and motivations by predicting the effect of mood, personality, and consumer conclusions based on common sense and intellectual understanding (Folkes, 1988; Gardner, 1985; Haugtvedt, Petty, & Cacioppo, 1992; Zaitman &

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Wallendorf, 1983). On the other hand, the behavioral learning theory (Meichenbaum, 1977; Rothschild & Gaidis, 1981) introduces a learning process externally augmented by a stimulus conveyed by the product itself and by marketers to conceptualize consumer behavior. A traditional consumer behavior study (Castells, 1996; Engel et al., 1973; Folkes, 1988; Gardner, 1985; Goggin, 2006; Kotler, 1994; Loudon, 1988; Rothschild & Gaidis, 1981) is involved in extracting the epistemological and ontological paradigms of three major areas: (1) analyzing inferences of consumer intrinsic behavior, which includes both cognitive schema and behavioral characteristics, (2) the stimulus from the overall position and design of a product and marketing of that product, including consumer comprehensive learning and the endorsement provided by the marketers, and (3) the effect of the external environment, which reflects external independent spontaneous settings and situational cognition. Consumer behavior is dependent on the integration of information from a stimulus (external learning), memory and the ability to interoperate information (cognitive learning) (Mahoney, 1977), and the emotional status (affective) including phenomena of habit (Rook, 1985).

However, marketers in the twenty-first century have acknowledged that recent trends in consumer behavior are motivated and greatly reshaped by the diffusion, adoption, application of, and attitudinal)beliefs toward information and communication technology (ICT) (Goggin, 2006; Jarad, 2014). The recent trend toward high paced and turbulent market products, even the rapidly changing attributes and features of mature market products, is making marketers place more emphasis on evaluating consumer characteristics, attitudinal changes, and preferences in congruence with technological change and its applications (Tanner & Raymond, 2011; van der Heijden, Verhagen, & Creemers, 2003). Therefore, in the present market scenario, consumer behavior cannot be comprehensively evaluated and directed without considering the fourth area associated with behavioral parameters: (4) Consumer technological beliefs, attitudes, exposure, attention, perception, and motivation.

1.2.3 Technological Influences on Consumer Behavior

The aforementioned four types of influences are intertwined and should be explored simultaneously to develop and model consumer behavior in the twenty-first century. The addition of the fourth paradigm to the study of consumer behavior, which draws attention to the marketers and academicians of the twenty-first century, is important. It is rooted in the assumption that the application of ICT in product or service distribution and selling channels as well as in consumer interactions and relationship marketing channels, like a promotion and advertisement channel, is drastically changing and reshaping consumer behavior (Sorce, Perotti, & Widrick, 2005). The consumer decision-making process in terms of information collection, comparison, selection, purchase, service output requirements, and usage, as well as post-purchase behavior is closely controlled by ICT and, particularly, mobile technology and the product and information distribution channel (Shareef, Dwivedi, & Kumar, 2016; Tanner & Raymond, 2011). The computer, Internet, mobile technology, and

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handheld mobile devices such as mobile phones, smartphones, tablets, iPads, and social media like Facebook, YouTube, and Twitter are now included as effective marketing tools (Saravanakumar & Sugantha Lakshmi, 2012). Marketing managers are enthusiastic to develop their marketing strategies by focusing on the widespread benefits of these technologies (Jarad, 2014).

1.2.4 Four Influences on Consumer Behavior

Reflecting consumer reshaped behaviors, the service output demand (SOD) of consumers from marketing channels and the service output supplied (SOS) from channel members also need to be redefined (Bagozzi, Gürhan-Canli, &, Priester, 2002; Castells, 1996; Coughlan, Stern, & El-Ansary, 1996; Darley, Blankson, & Luethge, 2010; Engel et al., 1973; Folkes, 1988; Jarad, 2014; Konus, Verhoef, & Neslin, 2008; Leek & Christodoulides, 2009; Mari, 2013; Saravanakumar & Sugantha Lakshmi, 2012; Tanner & Raymond, 2011) by consistently focusing consumers on technological behavior and the enormous benefits of ICT, particularly mobile technology. Consequently, we can reposition the focal point of consumer behavior as:

I. Consumer internal beliefs and attitudes arising from psychological, sociological, and socio-anthropological perspectives.
II. External influences on consumers imparted by marketers and explained by the perspectives of marketing and economics.
III. External environmental settings of the marketplace and associated parameters, like ethical issues, sustainable environmental issues, globalization issues, etc.
IV. Consumer changes in perception, exposure, attention, beliefs, attitude, and behavior due to the integrative effect and belief of ICT, particularly mobile technology.

Therefore, shedding light on the aforementioned studies, consumer behavior is the study of the four areas reshaping consumer product or service selection, purchase, and use, as depicted in Fig. 1.1.

1.3 Online Consumer Behavior

Many marketing researchers (Dwivedi et al., 2012; Jin et al., 2012; Razorfish, 2008; Reibstein, 2002; Shareef, Kumar, et al., 2014; Shareef, Dwivedi, et al., 2014) are engaged in studying traditional consumer behavior, technology adoption, and online consumer behavior. They also study the criteria of selection process of a distribution channel with two-way interactivity for seamless information flow for promotional marketing. From their research they have asserted that consumer online buying behavior is significantly different from in-store purchase behavior. Through a literature review of consumer recent trends in purchasing, Zhou, Dai, and Zhang (2007) identified that consumer attitudes and behavior are significantly different from off-line behavior.

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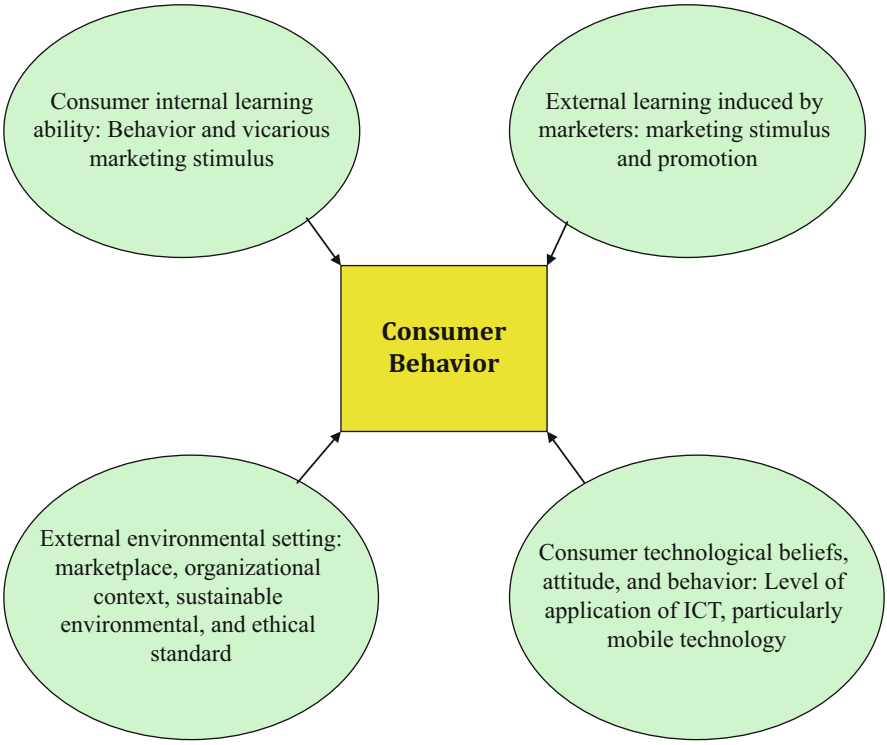
Consumer internal learning ability: Behavior and vicarious marketing stimulus
External learning induced by marketers: marketing stimulus and promotion
Consumer Behavior
External environmental setting: marketplace, organizational context, sustainable environmental, and ethical standard
Consumer technological beliefs, attitude, and behavior: Level of application of ICT, particularly mobile technology

Fig. 1.1 Four influences on consumer behavior

Online consumer behavior is an extended perspective of consumer behavior where modern ICT, particularly mobile technology, plays a central determining role in forming consumer behavior (Coughlan et al., 1996; Darley et al., 2010). Online consumer behavior is specifically focused when consumers interact, select, and purchase products through online, especially through mobile technology (Bagozzi et al., 2002). It also includes mobile services such as the communication channel for product, service, and information which interlinks direct marketing and promotion through advertisement (Burke, 2002; Darley et al., 2010). In this case, an online channel structure can be an addition or uniquely positioned (Coughlan et al., 1996).

1.3.1 Distinct Behavior for Online

The inclusion of the fourth dimension in the evaluation and formation of consumer behavior has triggered a new currency of consumer analysis by proposing the term "online consumer behavior" (Bagozzi et al., 2002; Burke, 2002; Darley et al., 2010; Tanner & Raymond, 2011). Analyzing both the driving and inhibiting factors constituting online consumer behavior and differentiating them from traditional buying

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behavior, Shareef, Archer, Fong, Rahman, and Mann (2013, p. 663) noted that "Understanding online buying behavior of consumers is very complex, since it is conducted in the virtual medium. There are several driving and inhibiting factors which dominantly influence buyers' decision in purchasing through online medium." In evaluating online consumer behavior, we must focus on certain implied properties of the virtual medium (Bagozzi et al., 2002; Banyte, Gudonaviciene, & Grubys, 2011; Dwivedi et al., 2012; Jarad, 2014; Jin et al., 2012; Konus et al., 2008; Leek & Christodoulides, 2009; Mari, 2013; Razorfish, 2008; Reibstein, 2002; Shareef, Kumar, et al., 2014; Shareef, Dwivedi, et al., 2014):

- Consumers apparently are not buying the product online; rather they are intending to buy an exclusive offer presented in the vendor website or mobile media.
- Consumers cannot use their five senses—vision, touch, smell, taste, hearing—to evaluate any online product during purchase and before receipt.
- Online information collection, comparison, and purchase are dependent on consumer ability, skill, knowledge, and experience of ICT, as controlled by the self-service technology.
- Consumer technological beliefs and attitudes toward technology, trustworthiness, and adoption behavior have a significant effect on online purchases.

1.3.2 New Definition and Prioritized Properties

Based on aforementioned literature review, we define online consumer behavior this way: It is the study of consumers, individually or in a group, in the total purchasing process: initiating the process, collecting information, making decisions through comparing, purchasing, receiving the product, using and evaluating the product for functional value, developing a post-usage attitude, and doing this process of obtaining the item entirely or partially online. This online information collection, comparison, purchase, and product receipt will have happened using different online media such as business-to-consumer (B2C) E-commerce, Mobile-commerce, Mobile phone, or any handheld mobile devices. It is important to focus on the following areas that are substantially or potentially different or have different levels of prioritization (Konus et al., 2008; Leek & Christodoulides, 2009; Mari, 2013):

- Collecting information: In this context, online consumer behavior is significantly different from traditional consumer behavior. At this time, consumers can (and actually do) collect information from many vendors for same or similar products and brands through online (Shareef et al., 2013).
- Making a decision through comparing: This phase of decision-making is different from pragmatic consumer behavior. The application of ICT is so profound and dominating in this phase that technological artifacts can streamline and reshape consumer behavior (Jarad, 2014; Saravanakumar & Sugantha Lakshmi, 2012; Tanner & Raymond, 2011).

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- Product evaluation immediately after receipt and usage: Here the functional value of a product is very important in influencing consumer behavior (Ho & Cheng, 1999; Shareef, Kumar & Kumar, 2008). The emotional value, the actual price, and the expected quality and final performance experience are entirely conducted after purchase in the case of online purchasing; however, for physical brick-and-mortar purchasing much of this occurs during the purchase (Sweeney & Soutar, 2001). In an online product selection and purchase, consumers can only evaluate the actual functional value after receipt of the product. Therefore, in modeling online consumer behavior, post-usage attitude is a potential area for the marketers to understand.

1.3.3 Key Issues for Online Consumer Behavior

A consumer behavior model for purchasing, using, and disposing of products or services has been substantially revolutionized because of the presence and frequent application of the Internet and other ICT-related tools, functions, and attributes (Shareef, Dwivedi, et al., 2014; Shareef, Kumar, et al., 2014). Product and service optimization through technology use and the inclusion of ICT in product design, stimulus presentation, advertisements, attitudinal changes in beliefs of the ideal, and a shift in belief in attributes, and pricing and promotion is very dominant today. So much so that consumer behavior in the twenty-first century cannot be evaluated and conceptualized without analyzing consumer online behavior (Shareef, Dwivedi, & Rana, 2015). In addition, numerous applications of ICT and the inclusion of the Internet with traditional channels of distribution, like a physical store, all contribute toward offering online media as an effective and versatile distribution and communication channel for consumers (Zhou et al., 2007).

The central concerns of online consumer behavior for the marketers (Bagozzi et al., 2002; Darley et al., 2010; Engel et al., 1973; Folkes, 1988; Jarad, 2014; Konus et al., 2008; Leek & Christodoulides, 2009; Mari, 2013) are as follows:

- How consumers collect their product information. In this regard, very essential concerns of marketers (Saravanakumar & Sugantha Lakshmi, 2012; Tanner & Raymond, 2011) are now:
  - Usage and applications of ICT accentuating mobile technology in product design, product distribution, and promotional offers
  - Consumer dependency on ICT
- How consumers develop beliefs in technology. This overarching parameter related to online consumer behavior is deeply connected with how technology diffuses and how consumers embrace technology to align with their attitudinal changes in product information collection. Factors to be explored in this connection (Cheng, Blankson, Wang, & Chen, 2009; Danaher & Rossiter, 2011; Durkin, 2013; Shareef et al., Forthcoming) are:

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  - Level, degree, and frequency of application of ICT in product, service or information design, distribution, and offering
  - Consumer beliefs toward ICT
  - Consumer attitudinal change toward ICT over time
  - Consumer competence in adoption and usage

- What are the possible sources of consumers for information collection: This is a fundamental and primary area for marketers concerned with the new marketing paradigm. Major concerns (Danaher & Rossiter, 2011; Darley et al., 2010; Durkin, 2013) are:

  - Traditional sources like television, billboards, family and reference groups, sales people, leaflets, banners, etc.
  - Internet
  - Email and chat websites
  - Mobile- or smartphone through short messaging service (SMS) and multimedia)messaging service (MMS
  - Social media like Facebook, YouTube, and Twitter

- What are the relative influences of newly developed and included sources: This is also a growing and fertile area for the marketers to completely capture the full benefits and scope of modern ICT with a special focus on mobile technology. Many researchers (Leek & Christodoulides, 2009) believe that new winning marketing strategies practically depend on the usage of mobile technology in the offering of product, service, information, and promotion considering consumer technological beliefs, attitudes, perceptions, skills, and behavior (Mari, 2013; Sassen, 2001). Potential issues to be explored (Burke, 2002; Leek & Christodoulides, 2009; Tanner & Raymond, 2011) in this context are:

  - Scope of technology usage and relative costing
  - Balance between SOD and SOS
  - Consumer preferences for different online sources like Computer-Internet, social media, mobile- or smartphone, SMS or MMS
  - Consumer compatibility with different sources of ICT
  - Leveraging of the effect of different ICT media

- How consumers form beliefs: This is especially concerned with the product, service, and information in terms of different channel structures that include communication channels, distribution channels, direct marketing, and promotional offers after widespread integration of ICT (Bagozzi et al., 2002; Leek & Christodoulides, 2009). In this context, potential parameters to provide information (Barwise & Farley, 2005; Bernstein, Song, & Zheng, 2008; Bloch & Marsha, 1983) are:

  - Cognitive, affective, and conative beliefs for ICT in association with product, service, and information and the type of communication and interactivity
  - Associated benefits, hindrances, scopes, and access cost of ICT with online channel

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- How consumers make their decisions: This is the traditional learning knowledge of consumers (Shareef et al., 2013); however, scope and capacity are modified due to the application of technology from both sides—vendors or retailers and consumers. These include:
  - The effect of virtual medium
  - The conjoint effect of virtual communal relationship marketing
  - The effect of trustworthiness, reliability, security, customer care, customer value, and privacy
  - The effect of ICT on consumer decision-making through circumscribed rationality
- How consumers compare products or brands: This is also traditional learning. However, the application of technology and usage of ICT in distribution and promotional channel structures, and the consumerability in this usage make the process distinct Engel et al., 1973; Folkes, 1988). Areas to concentrate (Bagozzi et al., 2002; Kotler, 1994; Tanner & Raymond, 2011) on are:
  - Consumer technology belief and interest, and vendor offers embedded with technology
  - Ability, availability, and access of consumers to different brands that are compatible with consumer preferences
  - Synergistic effect of product or brand and applicable technology
- What are consumer post-purchase beliefs: This is a vital area for marketers to address, examining and conceptualizing consumer mind-sets for online purchasing (Bagozzi et al., 2002; Kotler, 1994). This is a recent area which needs careful attention from marketers to conceptualize the comprehensive consumer online behavior. For online buying, since consumers can effectively and practically examine and evaluate the products or services after purchase when they receive it, post-purchase behavior after receipt is one of the key ingredients for marketers to learn (Engel et al., 1973; Folkes, 1988).
  - Functional value: This is consumer beliefs as per the promise of the retailers or vendors during purchase versus experience before usage but after receipt. This can help in forming an attitude that leads to recurring purchases (Kuhnle, Caemmerer, & Mulki, 2012; Shareef, Kumar, Kumar & Misra, 2008).
  - Functional value: This is consumer expectations during purchase without using any senses versus their experience after usage. This parameter assists customers to gain satisfaction which leads to loyalty (Shareef, Kumar, Kumar & Misra, 2008).
- How consumers become satisfied and loyal or reject a brand: This is a vital area to study online consumers to examine consumer learning processes, the attitudes that are developed, and their final behavior (Bagozzi et al., 2002; Darley et al., 2010; David, 2014; Gardan, Geangu, & Rosu, 2011; Jarad, 2014; Mari, 2013; Saravanakumar & Sugantha Lakshmi, 2012; Tanner & Raymond, 2011). Potential contextual factors associated with this phenomenon are:

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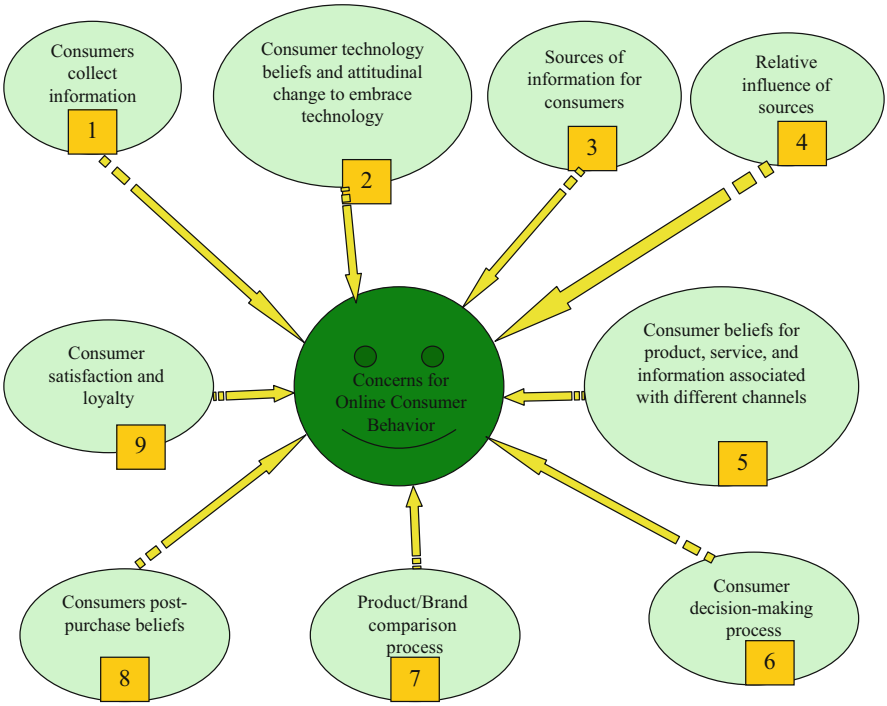

Fig. 1.2 Online consumer behavior: driving concerns

- Consumer changing demand and behavior due to the rapid change in technology
- Consumer learning curves for online purchase and interaction
- Usage of financial instrument, its security, and final invoice status
- Perception of value in terms of price

Finally, through the conceptualization of the aforementioned studies, we can summarize the key driving concerns for online consumer behavior in Fig. 1.2.

1.4 Consumer Preference and Marketing Strategy

Online consumer behavior includes the selection of online media for product purchase and the interaction with retailers through receiving promotional offers and commercials (Cheng et al., 2009). Several factors that have a vital role in consumer selection of an online channel structure are seller reputations, policies, and trustworthiness as well as the consumer perception of security and privacy (Mari, 2013; Shareef et al., 2013). Cross-cultural researchers (Cadogan, 2010; Luna & Gupta, 2001; Payan, Svensson, & Hair, 2010) have also recognized that consumers have great

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differences in their decision-making processes toward online purchases as well as in their exposure to and perception of promotional offers. Researchers such as Darley et al. (2010), Shareef, Kumar and Kumar (2008), Shareef et al. (2013), through extensive consumer surveys, have definitively revealed that consumers buying online experience great concern, sensitivity, and vulnerability about the trustworthiness, reputation, site and operational security of online vendors. The online vendors organizational profile is especially important because in online purchasing consumers cannot use their five senses (vision, hearing, touch, taste, and smell) as is possible in buying through the tradition brick-and-mortar channel (Shareef, Kumar, Kumar & Misra, 2008).

Consumers usually spend a significant amount of time, even in purchasing low effort products, in selecting an online product and interacting through the virtual medium with a vendor (Cadogan, 2010; Luna & Gupta, 2001). First, consumers need to develop a positive attitude toward the vendor and then about the product; for online purchasing, their main concerns are the reputation of the seller and the channel structure through which the sale takes place (Payan et al., 2010). However, at the same time, an interesting issue for the online marketers is that the popularity of online sales is growing sharply (Barwise & Farley, 2005; Chang, 2013). This creates enormous opportunities to utilize this channel as the most effective means for developing a relationship with consumers through continuous interaction and direct marketing. In 2010, about 85 percent of North American consumers showed an interest in purchasing products through the online channel (Nielsen, 2010) and this trend is flourishing all over the world as mobile technology is spreading. In 2009, Trendstream studied the online consumer trend and revealed that a majority of the consumers now select online media as their first preference for buying products.

1.4.1 Theoretical Aspects and Consumer Preference

The online distribution channel, through B2C Electronic-commerce, Mobile-commerce and direct marketing through the mobile phone, has created an entirely new dynamic for consumers (Danaher & Rossiter, 2011). It brings substantial flexibility in terms of time, location, scope, interactivity and connectivity, and spatial conveyance to the collection of information about products, prices, and brands, and comparison of retail stores (Kim et al., 2008; Shareef, Kumar, et al., 2014; Shareef, Dwivedi, et al., 2014). The online channel can facilitate consumer shopping by providing access to seamless information (Dasgupta & Sahay, 2011). On the other hand, marketers can develop virtual community relationships through two-way interactive communication (Chiu, Chen, Tzeng, & Shyu, 2006). Consumers consider functional benefits, SODs, risk, reliability, and overall pleasure when they select an online marketing channel structure for product purchase, product distribution, information collection, and receiving commercials (Bagozzi et al., 2002; Darley et al., 2010).

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1.4.2 Functionality of Channel

Theorizing online channel behavior includes consideration of the functionality of the channel to recognize the purpose of interactivity with consumers (Chiu et al., 2006; Danaher & Rossiter, 2011; Desiraju & Moorthy, 1997). Consumers can upload and interact with a specific channel to accomplish many purposes. The functionality of the channel structure generally explains the type of service offered reflecting the purpose and functions of the channel (Tanner & Raymond, 2011). A marketing channel for consumers can be composed of a series of interdependent members who take part in actively distributing and selling the products or services or communicating with consumers to provide promotional offers and develop a relationship (Saravanakumar & Sugantha Lakshmi, 2012). Essentially, a channel might be a physical retail store, a web site, a mail order catalogue, or direct communications by a letter, email, or text message (Bagozzi et al., 2002).

Based on functionality of channels and consumer online requirements to meet their specific demands, we can differentiate different online channel structures (Connolly, Olsen, & Moore, 1998; Coughlan et al., 1996) as follows:

1. Distribution channel
   (a) Product or service selling through an indirect marketing channel
   (b) Product or service selling through a direct marketing channel
2. Communication channel
   (a) Channel for promotional offer like commercials and benefits
   (b) Channel for information flow and interactivity for relationship building and customer service

From the point of distribution, we assume those channel structures through which product, service, and information are sold to the customers to be a commodity. Here information is sold solely to the customer as a service commodity, not as a SOD associated with any specific product or service. This distribution channel can be composed of several intermediaries or it can be directly from the vendor to the customer. In both cases, the end point is the customers who are purchasing products or services or interacting with the last channel member as the online retailer or vendor. Based on the existence of members in the interlinked channel structure, there can be two fundamental types of distribution online channels for selling products or services (Connolly et al., 1998; Coughlan et al., 1996).

In the case of product or service selling through an indirect marketing channel, the online retailer is the last active channel member to sell the product or service to the customers (Connolly et al., 1998; Coughlan et al., 1996). However, this channel, as a traditional physical distribution channel, is composed of several intermediaries. We are concerned here only about the end retail online store that is selling products or services directly to the customers.

Product or service selling through a direct marketing channel is another distribution channel that is adopting a direct marketing strategy using a direct channel, i.e.,

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the channel composed of the vendor to the end customer (Danaher & Rossiter, 2011). In this context, the vendor is capitalizing on the opportunity of keeping the customer relationship through direct selling the product via any online media. In respect to the vendor, this online channel is an example of fundamentally forward vertical integration.

A communication channel is an outlet, preferably an online medium, which is structured through the widespread and substantial application of ICT and capitalizes on the unique scope of mobile technology to enable vendors and retailers to create relationship marketing (Danaher & Rossiter, 2011). Unlike a traditional marketing channel, through an online channel vendors and retailers can maintain a close, even one-to-one, relationship with customers through any social media: email, phone call, or mobile phone-based SMS or MMS (Shareef et al., Forthcoming).

We can precisely define a communication channel as any online hub or medium through which marketers can maintain general promotional and relationship marketing by providing a one-way or two-way interaction and connectivity (Connolly et al., 1998). There are two basic types of communication channels reflecting functional differentiation (Connolly et al., 1998; Danaher & Rossiter, 2011).

Marketers, in their latest marketing strategy for product promotion, continuously maintain connectivity with consumers to convey their promotional messages like commercials and benefits to create positive attitudes among consumers by proposing a stimulus-consumer response (Engel et al., 1973; Shachaf & Hara, 2007; Vallerand, 1997). This is true online marketing strategy for product or service advertisements to deliver appropriate message through SMS or MMS (Turel, Serenko, & Bontis, 2007; Wouters & Wetzels, 2006; Zhang & Mao, 2008). This is the unique scope for mobile technology to convey demographic-location-time-specific personalized information to customers to persuade them to purchase.

The second communication channel is for information flow and interactivity (Connolly et al., 1998; Danaher & Rossiter, 2011). This channel is not a direct structure for selling products, services, and information. Here information is exchanged between customers and retailers or vendors in the aim of promoting virtual communal marketing. Through this virtual channel, conventional customer service can be provided (Danaher & Rossiter, 2011; Desiraju & Moorthy, 1997; Durkin, 2013). Mobile technology and social media have offered this substantial and multidimensional scope to the marketers to develop a new wave of relationship marketing through continuous exchange of information and by offering 24/7 connectivity. Based on aforementioned analysis, functional online channel can be depicted in Fig. 1.3.

1.4.3 Theoretical Aspects

Different media selection, psychological and behavioral theories (Bagozzi et al., 2002; Shachaf & Hara, 2007), and technological preference models (Rogers, 1995; Venkatesh, Morris, Davis, & Davis, 2003) have attempted to understand and theorize

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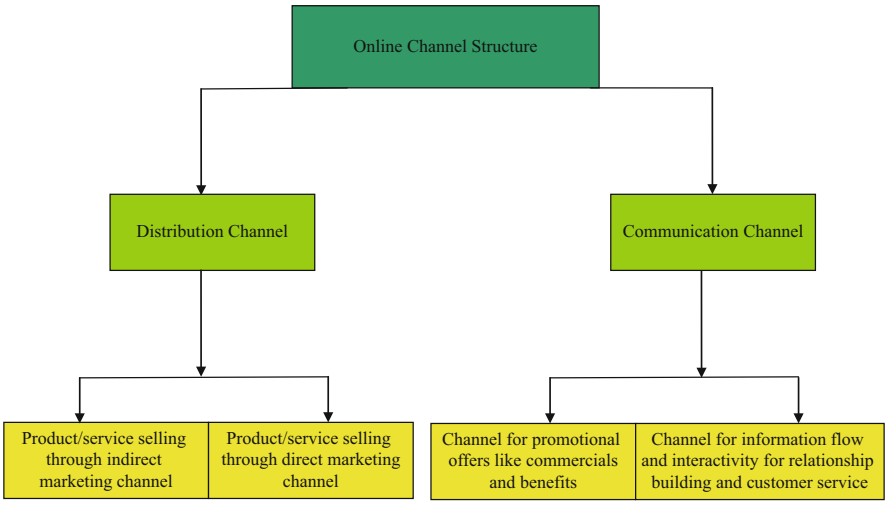
Online Channel Structure
Distribution Channel
Communication Channel
Product/service selling through indirect marketing channel
Product/service selling through direct marketing channel
Channel for promotional offers like commercials and benefits
Channel for information flow and interactivity for relationship building and customer service

Fig. 1.3 Functional online channel

consumer channel structure preferences for the last few decades to offer generalized channel selection criteria from a subjective perspective; nevertheless, the effort could not be comprehensively explained by consumer models of media choice (Stauss, 2000; Taylor, Franke, & Maynard, 2000; Vallerand, 1997; Zaitman & Wallendorf, 1983). These models show partial investigation capacity and the scope and fragmented theorization of harmonious parameters from a market stimulus viewpoint (Venkatesh et al., 2003). However, consumer psychology and sociology, product attributes, the external environment, and technological integration made it more complex, even paradoxical, to formalize and present a consistent, uniform, and coaxial view of consumer preferences for an online channel structure (Bagozzi et al., 2002). In this connection, the central and generalized paradigm of consumer preference is echoed in the recommendation of Michael and Becker (1973), who assert, based on the market economics under consumer demand theory and the utility function approach, that consumer preference generally depends on the fact that consumers are engaged in maximizing the effort (this may be measured in utility, time, and money) they spend in selection of purchases considering the time constraint (Mari, 2013; Saravanakumar & Sugantha Lakshmi, 2012; Tanner & Raymond, 2011).

Different mass media selection theories (Daft & Lengel, 1986; Rice, D'Ambra, & More, 1998; Shachaf & Hara, 2007) investigated consumer selection criteria for accomplishing the desired task. The mass media selection theory (Shachaf & Hara, 2007) emphasizes four aspects of consumer online behavior. It is acknowledged that consumers prefer any online channel if it can accommodate them with more flexible information; however, this preference is not automatic, but rather dominated by their cognitive and affective attitudes. Media are also engaged in conveying certain vicarious learning to the consumers (Shachaf & Hara, 2007). An external environmental setting also causes and formalizes consumer behavior; therefore, media selection is

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contingent on several issues related to external contextual phenomena (Shachaf & Hara, 2007). Technology behavior and belief also play a synergistic role in shaping selection preference for any certain media (Bagozzi et al., 2002). Fundamental efforts toward formalizing media selection theories are supplemented by the media richness theory (Daft & Lengel, 1986; Lengel & Daft, 1988), the task technology fit (Hollingshead, McGrath, & O'Connor, 1993), the social presence theory (Short et al., 1976), and the social influence theory (Schmitz & Fulk, 1991). These classical theories basically shed light on the consumer ability and interest in selecting a communication medium. The central conceptual paradigm of these media selection theories asserted that consumers might prefer any channel for accomplishing their desired task based on certain interactive, communicative, and personification properties of the channel (Shareef et al., Forthcoming). In this present case, the task is purchasing products or services from an online distribution channel, communicating with vendors or retailers, or receiving promotional offerings.

The mere exposure theory (Zajonc, 1968) addressed certain consumer behavior that primarily focused on social presence, connectivity, and personification where frequency of information exposure may finally govern and manage consumer online attraction behavior. From the subjective perspective, consumer selection preferences are pragmatically related to the ability of the channel to provide an instant and lively presence. Consumer preferences for a product are mainly characterized by extended problem-solving (Howard & Sheth, 1968; Nicosia, 1966: pp. 9–21) where cognitive thinking is emphasized. Using the brief and driving concepts of these marketing theories, we can affirm that the consumer decision-making process is highly dependent on situational cognition where consumers, through a continuous cognition process, compare alternatives and develop their final decision to accept the product or service (Bloch & Marsha, 1983). In this light, consumer recurring experiences of purchasing any product, interaction with any channel, and the interactivity of a channel can influence consumer selection preferences (Connolly et al., 1998). Consumer preferences are predominantly engrained by the social learning process where interactivity, social presence, and continuous connectivity play a central role (Stauss, 2000). Nicosia (1966), in a semantic effort to theorize consumer preferences for product choice from certain selected channels, suggested several parameters connected with both content and context; these are in harmony with other consumer behavioral approaches. According to this market behavioralist (Nicosia, 1966), consumer attitudinal preferences are largely the result of attributes of the product or service itself (in this case it may be the channel structure), external factors (environment, endorsement, market stimuli), consumers own behavioral attributes, organizational attributes, and the influence of the product attributes.

Several decades ago, author Jeremy Bentham's principles of legislation (1931) enlisted fifteen critical pleasuring factors which defined consumer general buying behavior: senses, riches, address, friendship, good reputation, power, piety, benevolence, malevolence, knowledge, memory, imagination, hope, association, and relief of pain. This identification is also reiterated by traditional market specialists such as Michael and Becker (1973) and online consumer behavioral studies (Kim & Benbasat, 2010; Kuhnle et al., 2012; Lieber & Syverson, 2011; Shareef, Kumar & Kumar, 2008; van der Heijden et al., 2003).

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Rothschild's underlying concept (1981) suggested that in traditional buying behavior consumers may consider switching from one brand to another deal reinforced by stimulus. In this context, the present communication channel and a mobile distribution channel can create an attitude that may persuade consumers to buy online. Online consumers can compare numerous deals through different online websites and through mobile marketing find information very promptly from anywhere at any time (Gupta & Narain, 2012). Consequently, a technological convergence of consumer compatibility with the product design and product offering as well as the communication of the marketers with the consumers can actively or passively influence consumer behavior. This external behavior dominated by technological beliefs, in contrast with the traditional market attitude of consumers, presents paradoxical behavioral challenges for marketers (Dasgupta & Sahay, 2011; Lieber & Syverson, 2011; Mishra & Shekhar, 2013).

For consumer channel selection preferences, understanding the underlying concept of the theory of prospective gratification (LaRose, Mastro, & Eastin, 2001) and reception approaches (Cunningham & Finn, 1996), the gratifications of the purchase and communication channel can be persuasive with the reconceptualization of and alignment with outcome expectations. Consumers develop and apply their preferences in channel structure selection based on their outcome expectation from the online channel (Shareef et al., Forthcoming). This identification provides enough conceptual argument in favor of the increasing popularity of the mobile channel medium.

1.4.4 Subjective Paradigms of Consumer Preferences for Online

From the above theoretical underpinnings, it can be inferred that consumer preferences for a purchase or distribution channel as well as a communication and promotional offering channel are fundamentally subjective and associated with many consumer characteristics including the overall performance of the respective channel. From the pragmatic view, we can delineate consumer preference for channel selection from the conjoint effect of consumer characteristics (both internally and externally developed with vicarious learning) and the characteristics of the channel working together in a synergistic ability to subjectively meet consumer expectations (Coughlan et al., 1996; Lieber & Syverson, 2011; Mishra & Shekhar, 2013).

Researchers (Bloch & Marsha, 1983; Coughlan et al., 1996; Darley et al., 2010; Engel et al., 1973; Folkes, 1988) exploring consumer buying behavioral patterns and selection of communication channels have postulated that consumer decision-making in purchasing, communicating with vendors, and receiving promotional offers from marketers is intertwined with a series of distinct but sequential stages. These comprehensively determine and dictate consumer preferences for one channel over competing options based on channel structure preferences. For different classes of products, consumers exhibit a significantly different buying pattern with

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a limited or elaborative decision-making process which is synergistically coherent and harmonious with the channel structure (Bagozzi et al., 2002; Darley et al., 2010; Engel et al., 1973; Folkes, 1988; Jarad, 2014).

Any communication channel imparts a positive attitude among consumers based on its ability to simultaneously control and manage multiple phenomena (Connolly et al., 1998). For example, if it can convert false gestures to conserve the environment to real activities that do work to save the environment. Other desirable characteristics are the ability to provide more connectivity and interactivity with continuous customer care such as two-way communication and providing instant feedback, the ability to explore social presence and increase social connectivity, the ability to establish personal contingency, the ability to create personification, the ability to provide a personal presence, and the ability to convey a personal image (Shareef et al., 2015).

Therefore, shedding light on the underlying concepts of consumer behavior and channel selection theories, we can summarize the proclaimed preferences reflecting consumer subjective evaluations of any social system from both intrinsic and extrinsic motivational factors as well as contingency approaches (Bagozzi et al., 2002; Danaher & Rossiter, 2011; Darley et al., 2010; Desiraju & Moorthy, 1997; Durkin, 2013; Shachaf & Hara, 2007) as follows:

1. Richness of information and its updated link (Information Richness)
2. Degree of social presence like face-to-face appearance instead of email (Social Presence)
3. Degree of personalization and customization (Personalization)
4. Social status and image representation based on homogeneity within social groups presently embracing the channel and heterogeneity among other social groups who do not adhere to the channel (Social Status and Image)
5. Degree of live interactivity for social connectivity (Interactivity)
6. Technological environment and its fitness for the task (Technological Fitness)
7. Technological compatibility and beliefs and ability to capture technological change (Technological Compatibility)
8. Connectivity with time and location sensitivity of the channel (Connectivity)
9. Flexibility of communication (Communication Flexibility)
10. Expected outcome with final experience and gratification (Outcome Gratification)
11. Task context and organizational context (like profile) (Task and Organizational Context)
12. Consumer external learning conveyed by marketers (External Learning)
13. Consumer internal learning and situated cognition (Internal Learning)
14. Compatibility with the channel considering influence of reference group (Channel Compatibility)
15. External environment with various market setting (External Environment)

The subjective issues of channel preference depicted in the above summarization and derived from consumer behavior, media selection, social influence, and motivational theories are shown in the flowing diagram, Fig. 1.4, and discussed in more detail in Chap. 2.

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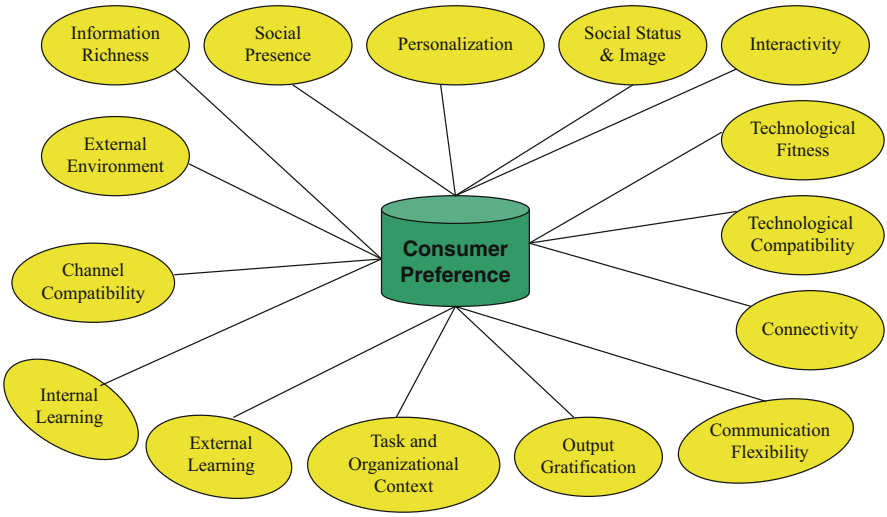

Fig. 1.4 Subjective paradigm of channel preference

1.4.5 Paradigms of Online Channel Strategy

Channel strategy must accomplish heterogeneous issues and perspectives of online consumer behavior which essentially includes four influences on consumer behavior, shown in Fig. 1.1, by focusing on the concerns of online consumer behavior depicted in Fig. 1.2 and by reflecting on the subjective paradigm of channel preference summarized in Fig. 1.3. Based on the underlying parameters of online consumer behavior, the online channel strategy will be developed expanding three fundamental issues (Danaher & Rossiter, 2011; Desiraju & Moorthy, 1997; Durkin, 2013):

1. Designing appropriate products or services with the required attributes
2. Developing product or service promotional strategy (may be implemented in another channel like the communication channel)
3. Comparing different online channel structures and identifying their compatibility with the product or service and promotional strategy

Three explanatory variables (Bagozzi et al., 2002; Chang & Huo, 2011; Chang, 2013; Danaher & Rossiter, 2011; Darley et al., 2010; Desiraju & Moorthy, 1997; Durkin, 2013; Shachaf & Hara, 2007) to be explored for online channel strategy are shown in Fig. 1.5.

In this context, there are four fundamental conditions (Bagozzi et al., 2002; Chang, 2013; Chang & Huo, 2011; Danaher & Rossiter, 2011; Darley et al., 2010; Shareef et al., Forthcoming). These are:

1. Evaluating the possibility and scope of offering multichannel and coherent existence of both an online channel and an off-line channel.

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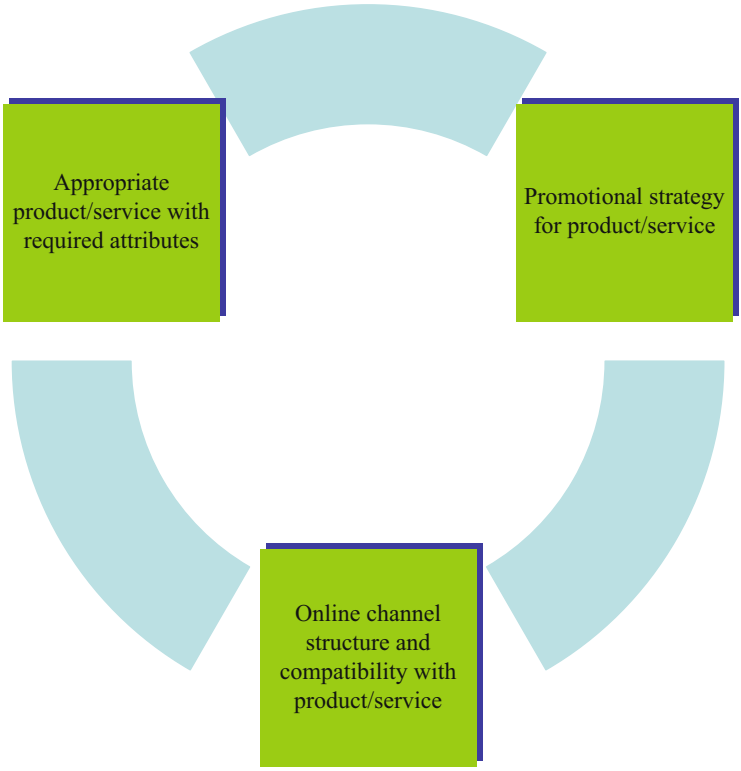
Appropriate product/service with required attributes
Promotional strategy for product/service
Online channel structure and compatibility with product/service

Fig. 1.5 Three fundamental issues for online channel strategy

2. Fulfilling target customer expectations for product and service output by designing the appropriate online channel with mandatory and supplementary properties.
3. Creating a cost-effective and efficient distribution and communication channel for customers and maximizing the profit margin by generating a sustainable competitive advantage.
4. Evaluating the existing multichannel structure and its design and relation to a new channel.

We have learned that the three fundamental aspects of consumer behavior—consumer internal beliefs and attitudes, external influences on consumers, and the external environmental settings of the marketplace and associated parameters—are essential to an understanding of consumer behavior. However, the four factors influencing consumer behavior have shown that we need to focus on changing consumer perceptions and changes in behavior due to consumer belief in ICT, particularly mobile technology. The widespread application of ICT, particularly mobile technology, has provided opportunities for marketers to launch an effective and efficient online channel marketing strategy that is a new addition to the market economy. The new opportunities that mobile ICT offer include a new dimension of relationship

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marketing, managing a virtual communal market, designing communication channels, and proposing two-way interactivity. The ability to provide instant accessibility from anywhere at anytime, continuous connectivity, personalized and customized promotion, and targeting customers with time, location, and language sensitivity are additional benefits of mobile marketing (Chang, 2013). Seminal studies of the traditional marketing strategy (Engel et al., 1973; Folkes, 1988; Kotler, 1994) and online marketing strategy (Jarad, 2014; Konus et al., 2008; Leek & Christodoulides, 2009; Mari, 2013; Saravanakumar & Sugantha Lakshmi, 2012; Tanner & Raymond, 2011) that integrate consumer behavior with channel structure design acknowledged that the challenge for twenty-first century online marketers is to design the most appropriate and market winning communication channel.

Developing an appropriate online channel strategy is rooted in effectively capturing the concerns of online consumer behavior shown in Fig. 1.2. Due to the proliferation of mobile technology over the world, mobile phone-based SMS is becoming the focus of promotional marketing strategies. An empirical study in five developed countries—USA, UK, Japan, Germany, and France—and in two other countries advanced in mobile technology—China and Brazil—confirmed that 19% of the companies conducting marketing online are using SMS for direct marketing and promotional activities (Barwise & Farley, 2005). Xu (2007) asserted that the possibility of growing SMS marketing is more than expected growth all over the world and further predicted that the average annual growth will rise in the next 5 years (Chang & Huo, 2011). This unique opportunity positions online marketing and mobile communication to be the most attractive future channel structure.

Leading companies that maintain continuous marketing through relationships with a virtual community, such as Nike and McDonald's, are exploring to target customers through mobile communication channels, and have acknowledged that it is an effective interactive marketing channel (Chang, 2013). Therefore, the nine major concerns explained in Fig. 1.2 should be thoroughly considered to determine market benefits to be gained from launching an effective online channel. Parameters to be examined and incorporated into the design of an online channel strategy include consumer methods of information collection, their changing attitudes towards technology, and sources of information collection other than traditional methods. Other considerations are the available promotional media, the comparative influence of the sources (particularly sources related to mobile technology), their availability and accessibility, and consumer use of different channel structures. Other important factors are examining consumer decision-making processes in selecting mobile channels, consumer ability to compare the qualities of different advertised brands, and consumer involvement in continuous online interactivity. Marketer online strategy should include consumer post-purchase attitudes before and after using the product, comparing this to their expectations during the purchase, and, finally, consumer satisfaction levels and learning curve during the purchasing process. Marketers should also determine how much consumers were influenced by the online appearance of the product and the offer from vendors.

A winning marketing strategy must reflect the paradigms of consumer preference for online channels that is depicted in Fig. 1.3. Information richness, i.e.,

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detail, appropriate, and updated, is a mandatory requirement for consumers to select any distribution channel as a retailer, whether it is a website through directing marketing or a communication channel for promotion, relationship marketing, and two-way interactivity. Due to the advent and usage of social media, consumers are strongly influenced and motivated by the presence of social groups, even for interactivity of commercials and purchasing (Assaad & Gomez, 2013). SMS and MMS particularly create the opportunity for personalization. This personification of commercials or communication has opened up a new avenue for marketers to segment the prospect market and target the appropriate group with customized information (Konus et al., 2008; Muthitacharoen, Gillenson, & Suwan, 2006).

Consumer interest in collecting information from any channel for purchase not only depends on congruency with their lifestyle but it is also closely affected by their perception of their own social status and whether the purchase will create homogeneity with the desired social groups (Barnes & Pressey, 2012). From some social media, people can get a capacity for continuous interactivity where they can also form beliefs through interactive prepurchase and post-purchase experiences; the degree of interactivity is a grave concern for many consumers (Bendoly, Blocher, Bretthauer, Krishnan, & Venkataramanan, 2005). Consequently, the technological environment created by the product and channel, its promotion, and whether it fits with the specific desires of the consumers are other important aspects. Critical issues for marketers to examine and evaluate while developing their online strategy for the target market are consumer technological compatibility and attitudinal beliefs toward the specific technology to be used (Sorce et al., 2005). For SMS, MMS, and social media, time and location are vulnerable issues for consumers. Although consumers want continuous connectivity, for some segments of customers flexibility of communication in terms of type, time, location, and wording are potential issues to be analyzed (Phau & Teah, 2009). Consumer expectations and their final experience are major sources of gratification in the use of these online channel media. Their channel preference is correlated to the type of task, involvement, effort, and organizational credentials of the channel; if needed, it can be upgraded by third-party endorsement like ISO (International Organization for Standardization) (Shareef, Kumar, Kumar & Misra, 2008). In addition to these new preferences of consumers, which are becoming more important because of the new online and mobile channels, traditional issues such as consumer external and internal learning capability and style, their compatibility with a channel, and the effect of the external environment should be analyzed as channel preferences in formalizing paradigms of online channel strategy (Bagozzi et al., 2002; Castells, 1996).

While initiating an online channel strategy and developing effective policies, a multichannel strategic decision is also a determining issue to be considered in establishing paradigms of winning strategy (Konus et al., 2008; Leek & Christodoulides, 2009; Mari, 2013). Evaluation of online versus off-line and the existence of a multichannel for distribution and communication could be paradoxical parameters to establish consistent and appropriate designs of a winning strategic paradigm.

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1.5 Service Output Demand and Service Output Supplied

The fundamental concern in online channel design, similar to a traditional off-line channel, is the extent to which it meets customer demands as well as ensures maximum efficiency in the distribution structure (Connolly et al., 1998). The common problem in designing an optimal channel is the fragmented judgment about targeted customer demands and an inability to deliver service outputs in the most cost-effective manner (Banyte et al., 2011). Bucklin (1966), a distribution channel researcher, suggested that consumers prefer the channel that can minimize the searching cost. Here, the explanatory variable is searching cost, which captures consumer preferences in terms of four SODs: lot size, market decentralization, delivery time, and assortment (Bucklin, 1966). Many channel structure researchers (Banyte et al., 2011; Connolly et al., 1998) further amended these SODs by adding information flow, updated information that has interactivity and connectivity with other critical variables, availability of customer service for off-line channel, and assurance of prompt and reliable customer online service when required.

1.5.1 Issues for Online SOD

For the online channel, searching costs can be significantly minimized in terms of decentralization. Delivery or wait time is a service demand that may be a constraint for online purchases; however, variety is ensured in online purchase where retailers can easily offer assorted products with varied prices and customers can evaluate many varieties within a limited time (Tanner & Raymond, 2011). Availability of information, another SOD, can be effectively supplied on online channels. Customer service is an SOD that is frequently sought in off-line channels; in some online channels, depending on the type of channel, it can be effectively supplied to the customer. In addition to the traditional SOD, as explained by Bucklin (1966), the scope of personalization, social inference, and time-location based connectivity are some potential aspects for SOD, particularly from a communication channel. However, time- and location-based connectivity can be explained by decentralization or a spatial convenience parameter with redefined dimension and higher explanatory power.

The challenging issues for online SOD (Bagozzi et al., 2002; Chang, 2013; Chang & Huo, 2011; Danaher & Rossiter, 2011; Darley et al., 2010; Desiraju & Moorthy, 1997; Durkin, 2013; Shachaf & Hara, 2007) are:

- How consumer SOD can be varied from an off-line channel to an online channel.
- How consumer multichannel behavior can affect SOD from a newly added online channel.
- How to differentiate an SOD for distribution channel in association with a communication channel.

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- How different SODs can be met in a virtual channel, particularly in a mobile channel.
- How online channels can hinder customer expectations of SOD.
- How technological beliefs can change customer SOD requirements.
- How reliable customer care can be ensured in the virtual medium, although it may only be sought for troubleshooting, problems, and disputes.

1.5.2 Issues for Online SOS

For online channels, SOS is a new area for the marketers to investigate and formulate SOS for different mobile channels; however, like the traditional channel structure, the central target for the marketers is still to maximize the efficiency of channel flow to meet customer demands at the minimum cost (Bagozzi et al., 2002; Connolly et al., 1998). Now, a new set of challenges arise for online channels when a vendor or retailer offers multichannels and simultaneously maintains two distinct channel functions such as distribution and communication. For a distribution channel, information is a prerequisite set of SOD that is directly embedded in the purchase of a product or service when consumers have already developed a positive attitude toward the product and are attentive to the product. The information flow for the communication channel is not a demand from service output; rather, it is a generic service that is established and maintained for the sake of managing customer relationships and maintaining virtual marketing (Darley et al., 2010). However, social influence and personalization are SODs required for both distribution and communication functional channels.

The challenging issues for online SOS (Bagozzi et al., 2002; Connolly et al., 1998; Shareef et al., Forthcoming) are:

- Adjustment of different SODs between distribution and communication channels
- A strategic alliance between off-line and online channels with a particular focus on different mobile online channels
- Synchronization of distinct features of social media with other online channels
- Adjustment and readjustment to the distinct orientation pattern of online channel members
- The type of resources, both technological allocation and reallocation, for mobile channel flows
- Cost effectiveness through minimizing the costs of channel flows by increasing performance efficiency of channel members or increasing performance of technology.

1.5.3 Constraint for Zero-Based Channel

A zero-based online channel can meet customer varied requirements and SODs in the most efficient manner so that the channel flow cost will be minimal (Bucklin, 1966). Therefore, in addition to the traditional SODs, an online

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channel should also meet the general outcome expectation of mobile technology like the scope of personalization, social inference, and time- and location-based connectivity (incorporated in and redefined by traditional decentralized SOD) (Chang, 2013; Cheng et al., 2009). For creating a zero-based channel, there are restraints particular to the country, society, and product; some restraints are legal constraints, the status of physical and virtual infrastructure for online channel structure, and managerial restrictions on the company product itself (Banyte et al., 2011; Tanner & Raymond, 2011). Other important issues to be resolved that may be significant constraints relate to the channel structure, such as a lack of appropriate knowledge about the channel, and understanding customer online behavior (Bagozzi et al., 2002; Connolly et al., 1998; Coughlan et al., 1996).

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